

Economic Diplomacy

Introduction

Economic diplomacy is one of the most important appliances through which governments serve their national interests. By economic diplomacy, countries try to tackle the outside world to maximize their national gain in all the fields of activity, including trade, investment and other forms of economically beneficial exchanges, where they enjoy comparative advantage. In recent years economic diplomacy has gained in distinction, leading towards maximization of national interests of developing countries like Bangladesh.

Bangladesh is fast graduating from being an LDC to a middle-income country with an aim to become a developed country by 2041. Stabilizing the economy and poverty alleviation remains foremost priority of the present government. We intend to complement this objective with a greater depth in external trading – coupled with a greater inflow of foreign remittance. During next few years, we expect to gain (a) an equitable market access, (b) expansion of our export basket, (c) transfer of critical technologies, and (d) employment of our professionals and workers in economies to which ‘you’ represent Bangladesh. Economic diplomacy has traditionally been characterized as the decision-making, policy-making and advocating for a country’s business interests with other states, its scope and jurisdiction are also undergoing rapid evolutionary tendencies.

For Bangladesh, the aid-centric Economic Diplomacy had received due importance and focus as key element of our external relations just after Bangladesh achieved independence. Despite the challenges with regard to relief, recovery and rehabilitation to build up a war-ravaged economy since early 1972, Bangabandhu's government recognized the need to identify and focus on economic and social development components in the context of expanding our foreign relations. The present day ‘economic diplomacy’ is not practiced only by the professional diplomats working in Bangladesh missions abroad, but also by the domestic political and economic interests and individuals. That means, the players in economic diplomacy are- (a) all government agencies that are involved in international economic mandates - including trade, investment and transfer of technologies, (b) non-state actors, such as non-government organizations (NGOs) engaged in international economic activities, (c) businesspersons and investors involved or affected by the international trade regime, and (d) individuals with economic or financial motivations (either as consumer or as service providers).

Elements of Economic Diplomacy

Economic diplomacy has five components-

- 1) Enhancing FDI inflow and diversification of portfolio;
- 2) Enhancing and diversifying export;
- 3) Quality Service;

- 4) Export of Human Resources and human expertise – or global service sector deliveries;
- 5) Transfer of Technology.

In the context of FDI inflow, trust of the investors is crucial to attract, retain and nurture FDIs. Often, it is found that international investors prefer to invest in a country having investment-friendly environment as well as comparatively better business practices including the ease of doing business and future oriented taxation regimes (instead of constrictive initial duties). The export sector needs diversification of exportable commodities. It needs to make a list of the items of each country's demand and then identify which products (commodity-wise) are or will be competitive for us. At present top export earning sectors are- RMG, Leather & Footwear, Raw Jute & Jute goods, IT, plastics, frozen food, and Agro based products etc. Besides, in terms of internationally mobile work force, it is essential to turn our expatriate workforce into a skilled storage of verifiable, traceable and branded expertise to ensure more foreign remittance from abroad and also stability of their employment. This is necessary to make migrant workers more acceptable to the recipient countries and for competitive pricing and dispensation of benefits and perquisites. Some other sector like disaster management, agricultural extension services, peace building and forming terra ferma in conflict-prone regions, may create some more opportunities for us in other countries and thus form a part of our economic diplomacy.

Role of Ministry of Foreign Affairs

The essential thrust of our economic diplomacy must be to enhance the image of the country. We need to prepare our diplomats to shoulder this responsibility. We need to impart good negotiating skills to our diplomats. The Ministry of Foreign Affairs must be given the clearly defined responsibility for coordination. The Trade and Investment wing of the Foreign Ministry must be strengthened. The key to the success of Bangladesh's economic diplomacy will be team work within the government. The Ministers of Finance, Foreign Affairs, Commerce, Industries and government investment organizations must work closely together on policy formulation and ensure that all bottlenecks are removed. Our missions abroad must be kept fully briefed and the Foreign Ministry must respond promptly to initiatives taken by our Ambassadors and our missions abroad.

Economic diplomacy requires all the finesse and knowledge of traditional diplomacy. In addition, it requires in-depth knowledge of economic analysis, commercial relations, both national and global trading rules, functioning of inter-governmental organizations, politics of trade and investment, and policy issues ranging from health/environment to the prudential supervision of insurance. Following course of actions need to be addressed –

- I. It is necessary to impart the specialized knowledge so as to ensure that right from the start Foreign Service Officers are adequately equipped to handle economic work;

- II. A roadmap must be devised so that diplomats are better equipped with state-level information including export diversification, investment opportunities and tourism-related details;
- III. Training in the corporate sector can be given more importance;
- IV. The World Trade Organization (WTO) runs an annual training programme, which is regularly attended by officers from the Commerce Ministry. The possibility of regularly deputing Foreign Service officers for such training should be explored;
- V. The Ministry of Foreign Affairs should periodically review the financial outlay for economic work, particularly in respect of the missions in the major target countries, with a view to optimizing the returns;
- VI. Extensive use of latest technology, for example, by establishing hyperlinks and 5G enabled web-platforms for connecting governments, trade and industry bodies, individual businesses and corporate houses;
- VII. Economic diplomacy should be supported with research that focuses on practical baselines – creating business process mapping for each segment of operations.
- VIII. We ought to design a MVIE (Minimum Viable Innovation Engine) particularly geared towards the climate vulnerable areas and people – so that their productive capabilities can be transmuted to the rest of the world in a marketable format.

Conclusion

Economic diplomacy might have a large space to play in the post-COVID economic world. Inter-state relationships might evolve significantly with the changing behavior of the global societies as well as the functioning of the economic and production patterns of almost all countries in the world. Bangladesh is not an exception to that. We ought to carefully observe and understand the overall world situation, both political and economic, technological and legal, including that of our own country and start stepping forward into the right direction. The complementarities of economic interests which arise from the collaboration between countries or regions, as well as efficiently overcoming the differences caused by the ways in which countries perceive their economic priorities, will contribute to the development of stronger social, economic and political relationships in the world, and in this process the role of effective and measurable diplomacy is irreplaceable. The Bangladesh missions abroad need to play the role of economic listening posts and connect the complementary asset portfolios in both the domestic and host markets where they operate. Ministry of Foreign Affairs could wish to assist the professionals working in the missions abroad with both policy and administrative support. Foreign Ministry is working on the basis of “One Mission, One Government, One Country” in this regard.

References

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